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TAGS: [ETTC](#) [KTFN](#) [PTER](#) [EFIN](#) [UK](#)
SUBJECT: UK ANNOUNCES TERRORISM FINANCE STRATEGY

Classified By: Economic Minister Counselor Mark Tokola for reasons 1.5
(b) and (d).

¶1. (S/NF) Summary and Comment: The UK's new strategy to tackle financial crime and terrorism does not represent a dramatic point of departure, but rather confirms an evolutionary trend towards a more aggressive approach to countering terrorism finance. The strategy, announced by Economic Secretary to the Treasury Ed Balls on February 27, addresses a number of issues that have long been of concern to the U.S., including a more rigorous approach to halting terrorist abuse of the charitable sector and increased use of classified materials to freeze assets. It does not address other U.S. concerns, such as a reluctance to designate domestic branches of global charities, the failure of the UK to designate Hizbollah as a terrorist entity, or the creation of legislation to combat proliferation finance. Nor does it create new tools for the UK to act against Bank Saderat. The announcement mixes several initiatives that are already under way with some new measures. And as with most strategies, its success can only be measured in time. End Summary and Comment.

¶2. (SBU/NF) On February 27, Economic Secretary to the Treasury announced HMG's new strategy on the financial challenge to crime and terrorism (full text available at www.hm-treasury.gov.uk). Overall, the strategy identifies the right priorities: the creation of an asset freezing unit within HM Treasury; the need for government agencies to develop better mechanisms for sharing intelligence; the introduction of a licensing system for money services businesses; and the provision of additional resources to the Charity Commission to identify and disrupt terrorist exploitation of charities. The strategy also reiterates a number of decisions previously announced by the government, including the decision to use classified materials in cases where there is operational urgency to act.

¶3. (S/NF) In our view, this strategy is not a radical departure or turning point. Rather, it is a confirmation of an ongoing evolution on HMG thinking towards countering terrorism finance. The UK security services have become proponents of using asset freezes. They have learned the value of using the announcement of an asset freeze as a justification for searching suspected terrorists' homes. They have also been advocates for the use of classified materials in designations. And politically, Chancellor Gordon Brown gains political mileage from making the Treasury a player in the fight against terrorism.

¶4. (S/NF) How does the new strategy affect U.S. interests? Most importantly, our initial analysis suggests that it will

"do no harm." The new strategy also starts to address some of our biggest concerns with the UK approach to fighting terrorism finance, including a lack of rigor in investigating charities for ties to terrorism and an inability to use classified materials to freeze assets. More broadly, the strategy highlights that we and the UK share some of the same preoccupations regarding the role of money services businesses and cash couriers, creating the opportunity to work together with the UK internationally. This commonality of interests is unsurprising; the strategy's authors visited Washington during its preparation.

15. (S/NF) What doesn't change? The strategy does not signal a change in approach on other issues that concern us. The UK will continue to be wary of UN designations of global charities if we cannot provide specific evidence linking the UK branch with Al Qaeda. The new strategy does not signal a shift in the UK approach to Hizballah. There is no mention of domestic legislation to allow for a freeze of assets related to proliferation finance. Nor will the strategy end what we view as HMG timidity in risking court challenges (noting that UK courts are less deferential to anti-terrorism measures than our own). Finally, there is a strong signal that classified materials will only be used in cases where UK domestic security is at risk, and not more broadly in the way we use it.

16. (S/NF) Regarding Bank Saderat, there is nothing in this new strategy that would impact the way HMG is approaching their evaluation of Bank Saderat. HMG is fully aware of the importance that we place on UK action against Bank Saderat. Both the Chancellor and Ed Balls are engaged and receive regular briefings from their staff on progress towards a decision. We have been told that ministers have agreed to take action against Bank Saderat as long as such action meets

LONDON 00000794 002 OF 002

UK legal requirements. Intelligence officials are currently assessing all of the information we have provided in order to determine whether they can link payments by Bank Saderat to organizations designated either by the United Nations or the European Union. We understand that intelligence officials are under pressure from the Cabinet Office to complete this review as soon as possible. But this strategy provides not new tools to do the job.

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